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SPEECH

ON

THE BUDGET

BY THE

HON. R. J. CARTWRIGHT,

MINISTER OF FINANCE, CANADA,

DELIVERED IN THE

HOUSE OF COMMONS,

OTTAWA,

FEBRUARY, 1875.

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BUDGET SPEECH

DELIVERED IN THE

HOUSE OF COMMONS

OF CANADA,

On Tuesday, the 16th February, 1875,

BY THE

HON. MR. CARTWRIGHT,

MINISTER OF FINANCE.

Hon. Mr. CARTWRIGHT, in moving the House into Committee of Supply, said :—

Mr. SPEAKER,—It is always a matter of some interest, after any considerable changes have been made in the tariff to examine how they have affected the year in which they occurred or succeeding ones; and probably on the present occasion somewhat more than usual interest may be attached to the subject, because those changes, as the House knows, were of rather an important character. It will also be my duty to give the House some explanations with regard to the loan negotiated last June in London, and I propose to take advantage of this opportunity to examine the general financial position of the country, and to explain the mode which the Government think ought to be adopted to meet the very serious obligations to which we are committed. Now, Sir, as the House has been in possession of the Public Accounts since the first days of the Session, and as the Estimates do not require, I hope, any very great time to enable hon. members to understand them, I shall proceed without further preface to briefly review our position throughout the financial year ending 30th of June, 1874. Perhaps for convenience it may be as well, instead of adopting the

somewhat cumbrous form of "1873-74," to say that when hereafter I refer to any year, I mean the financial year terminating on the 30th June, in the year named. If hon. gentlemen will refer to that page of the Public Accounts containing a comparative statement of the receipts and expenditures from the commencement of Confederation to the present time, they will observe that in the expenditure for 1874 a total sum is set down of no less than $23,316,000 being an excess of about $4,140,000 over the expenditure of the year preceding. It will be well that I should enumerate the causes which have led to that very large and remarkable increase. These, Mr. SPEAKER, in round numbers, are as follows :- In the first place, an augmentation took place in the charges of interest on debt to the extent of over $500,000. In the next place, owing to the admission of Prince Edward Island into the Union, our annual charges were increased nearly $600,000 on that account. The assumption of the Provincial debts and the subsidy granted to New Brunswick, in *lieu* of export duties, on timber, amount together to $850,000, while the additional expenditure incurred for the proper maintenance of the railroads owned by the Dominion involved no less a sum than $900,000 more. While I am on this subject I may as well state that the Government have carried out, as they declared they would last Session, the policy of charging to income account everything that properly belongs to the maintenance of these railways. On this subject I may have something to say further on, but for the present I shall content myself by merely adverting to the circumstance. Then there were statutory increases, such as increases of indemnity to members, and other subjects of a similar character, which required $400,000. The item of elections involved an expenditure of nearly $200,000 ; the North-West Mounted Police, $200,000 ; Indians, and similar purposes, $100,000 ; Post Office, $300,000, and various other miscellaneous charges, $200,000, making a total of $4,250,000, which represents, and indeed a little exceeds the increase to which I have called attention. And this increase, Mr. SPEAKER, is specially noteworthy, because, as the House will see, the greater portion of it consists of what are called statutory charges, over which the House has practically no further control, and for which this Government and all future Governments will have to make

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provision as of course. Turning to the other side, the House will perceive that the total receipts from all sources amount to $24,200,000 ; being an increase over the preceding year of $3,400,000 ; leaving, therefore, a nominal balance of $888,000 to the credit of the past year. It may be as well that I should mention, however, that in this nominal balance are included two sums, one of $166,000 received from Ordnance lands, which was paid late in the year, and is to be treated as a casual rather than an ordinary item of revenue ; and another of $45,000 which was returned us by the British Government, but which, together with a much larger sum, will have to be defrayed from the expenditure of the current year on account of the Boundary Survey. In fact, it is a mere cross entry, which, strictly speaking, should not have appeared in our accounts at all.* The net balance, therefore, (according to my computation) from ordinary sources, amounts to about $650,000. Now, Sir, I propose to devote a short time to explaining somewhat in detail the effect of the recent tariff changes in creating this revenue. I dare say the House will remember that in my Budget Speech last year I made these several statements : I stated to the House that unless it consented to impose considerable additional taxation, there would be a serious deficit as between the expenditure and the revenue for the past year. I said that if the sums estimated for by Mr. Tilley were to have been expended last year in addition to what we know was about to be expended, the Estimates for the year 1874 would have amounted to $24,100,000. I stated also, that, to the best of my judgment, the House must make up its mind for a temporary pause in the advance in imports, and particularly in dutiable imports ; but I added if the House were willing to give to the Government the supplies they demanded, I had no doubt those supplies would be ample, to enable us not only to meet present expenditures, but to make provision for our future liabilities. I shall proceed, Sir, to give to the House, *seriatim*, the proof of the accuracy of those statements. The one to which most attention will probably be directed is the declaration made by me that there would have been a considerable deficit last

* Note.—Over $120,000 was actually spent in 1873-4 on the Boundary Survey, but barely $30,000 have yet been paid by Canada in consequence of this $45,000 having been returned.

year, but for the alteration of the tariff. If the House will look at these statements—I allude to the comparative statement of receipts and expenditures—the House will observe that in the two main items from which our real revenue is chiefly derived—customs and excise,—there is an increase for 1874 of no less than $2,550,000 in round numbers. Of that increase, as I shall presently show, no less than two millions of dollars are directly attributable to the operation of the recent tariff. On turning to the Trade and Navigation returns for the past year, the House will observe that the total volume of imports into this country was a little less for 1874 than it was for 1873, the exact figures being $127,500,000 for 1873 as against $127,400,000 for 1874. Now, Sir, if the House will further turn to what are known as dutiable goods, imported into this country during those years, they will find that the total volume of dutiable goods imported into the country in 1874 was $76,232,000 as against $71,409,000 imported in 1873, being an apparent difference therefore, in favour of the past year of $4,800,000 in round numbers. From this sum is to be deducted, in the first place the sum of $400,000, being the excess of imports into Manitoba under the four per cent. tariff, and therefore involving so small a sum of money that it in no degree affects the real comparison. Of the remaining four and a-half millions excess, or apparent excess, of dutiable goods, about one and one-half millions are due to the admission of Prince Edward Island into the Union* ; and of the remaining three millions, one and one-half millions were caused directly by the removal from the free list, under the recent tariff, of certain goods, as any one can see on examination of the tables ; and at least the remaining one and ahalf millions, if not more, were anticipated in consequence of the expectation that new duties would be imposed, and were, in fact, borrowed from the revenue of 1875 in advance, to make up for the deficiency of 1874. My allegation is therefore, that of the sum of $2,550,000, the excess in customs and excise, no less than $2,000,000, are due to the new tariff, the difference of $550,000 being accounted for partly by the admission of Prince Edward Island, and partly by the regular increase which might have been expected in the Excise

* Note.—Only $1,000,000 of dutiable goods are returned as imported into P. E. I., but it is known that a good deal more was purchased (duty paid) in other parts of the Dominion on P. E. I. account.

Department. Although I do not regard this point as one of very great importance, for the simple reason that the taxation was imposed not so much to meet a deficit in the year then nearly expired, as to provide for future engagements, it may be as well to give some still further corroborative proofs of my previons assertion. Of these there is no scarcity. In the first place, if we compare the importations for the eight months ending the 28th February, 1873, with those for the same period of 1874 (before the new tariff had any effect on the importations), we shall find that the total of dutiable imports for 1873 amounts to $44,400,000, as against $45,576,000 for 1874, being a difference in favor of 1874 of $1,170,000 in round numbers, almost all of which is due to the admission of Prince Edward Island. Or, taking another form of proof.—Take the ten days' statements of the money paid into the exchequer from the 1st to the 10th of April, and from the 10th to the 20th of April, 1873 and 1874, and we have these results—(I am including both customs and excise):—In 1873, between the 1st and 10th of April, we received $515,000. In 1874 we received $1,375,000 during the same period, being a difference in these ten days of $860,000. In the succeding period, from the 11th to the 20th of April, as against $336,000 in 1873, we received $1,171,000 in 1874, amounting to a difference of$835,-000 in these two periods of ten days. That is to say, we gained as nearly as possible$1,700,000 under the operation of the new tariff. As I have said, the House will remember that this was to a certain extent borrowed from the revenue of 1875. The remaining two or three hundred thousand dollars are much more than accounted for by the subsequent operation of the tariff, as evidenced in these tables. With respect to my second statement, that if the sums estimated for by Mr. Tilley had been expended in addition to those which we knew would be expended, the estimates must have reached at least $24,100,000, very little explanation is needed. The House is aware that the estimate of the sums expended in Public Works chargeable to income falls short of that estimated by Mr. Tilley, by no less a sum than $624,000. The House is also probably aware that the sum of $250,000 demanded by him for working the Intercolonial Railway was not expended, and that the further sum of $40,000 on account of boundary survey is not charged in last year's accounts, although the money has actually been expended, and will have to be paid this year

to the British Government. These three sums combined exceed $900,000, and the House will therefore see that I was within the mark, and not above it, when I stated to the House that those estimates would exceed $24,100,000 on the basis stated by me. With respect to my other statement that there was a strong probability that there would be a pause in the volume of the general imports of this country for at least two or three years, the House need only turn to the Trade and Navigation Returns to see that that statement has been literally verified. The total volume of trade for 1873 amounted to $127,500,000. The total volume of trade for 1874, Prince Edward Island included, only amounts to 127,400,000, being a falling off in the total volume of trade of $100,000. The apparent increase on dutiable goods I have already sufficiently explained. I have in my hand a statement recently given me by the Commissioner of Customs, showing the exports and imports for the six months of the current year as compared with those of the six months ending on the 31st December, 1873. The results of these I will briefly read to the House. During the half year ending the 31st December, 1873, our total exports amounted to $57,251,000. During the six months of the current year, our total exports appear to have amounted to $53,357,000, being a decrease, I am sorry to say, of nearly four millions. Of articles entered for consumption our total imports amounted to $71,068,000, in 1873, and in the corresponding period of 1874, the total imports amounted to $69,588,000, being a deficit of about one million and a half, though this is chiefly of non-dutiable goods. With respect to the fourth statement made by me—that if the House consented to grant those supplies for which we asked, we did not think we would be likely to call upon them for additional taxation—I will reserve any further comment until a later period of my remarks. I may, however, take this opportunity of stating briefly that so far as we can now judge, I have no reason to believe that the estimates I made of the probable receipts for 1875 will fall short. Up to the present time the receipts have corresponded very nearly with the estimates made by me, and possibly may exceed them, although it is too soon yet to form any absolutely correct idea of the trade movements during the remaining portion of the year. As regards the expenditure of 1875, I think my hon. friend beside me (the Minister of Public Works), may be

able to make a considerable saving in those two large items, namely, public works charged to income, and expenditure in the maintenance of public works; but on the other hand, I am afraid I shall be obliged to bring down certain Supplementary Estimates in other quarters, it being scarcely possible for any Department, however vigilant, to avoid incurring some unforeseen expenditure in a period of nearly eighteen months. With respect to the Estimates submitted by me the other day, having reference to the probable expenditure for the ensuing year, the House will observe that the sum total chargeable to income is estimated at $24,857,488, being a trifle less than the sum estimated last year, which amounted to $24,883,000. Hon. gentlemen will see that we have been obliged to ask for considerable increases in the following services: In the first place, recent transactions in London have required an increase in the interest of the public debt to the amount of $182,344. In the next place, the Post Office Department will demand an increase of somewhat over $200,000, combining in the statement the sum demanded under the head of Post Office, and a considerable charge, which will also be required for that service, under the head of Civil Government. For the Menonite Loan, which was alluded to by my honorable friend the other day, and which I fully expect will be returned to us at the time agreed upon, we will require a further sum of $100,000. For Dominion Lands, in consequence of the demands constantly made upon us in that direction, we shall be obliged to ask the House to give us this year $200,000, instead of $100,000 For the Philadelphia Exhibition we have put a vote of $40,000 in the Estimates, and, for an object which I think the House will not grudge, namely, the rewarding of the remaining veterans of 1812, we ask for an increase in the pension list of $50,000. In addition to these, Customs and the Administration of Justice will require an augmentation of about $70,000. The increase in the case of Administration of Justice is almost entirely statutory, and will require no explanation from me. The increase in the Customs Department, I may say, is largely due to my hon. friend, (the Minister of Customs), having determined to give the merchants in large cities exemptions from certain vexatious dues which are not exacted, I understand, from those residing in the smaller towns. Then there are several miscellaneous services amounting to $80,000,

which we hope will be repaid by fees, as hon. gentlemen will find stated, if they will refer to the particular Estimates to which I am now alluding. For Indians, we will require, in consequence of the recent treaty, an additional grant to the extent of some $35,000; and a similar sum will be required for the reorganization of the North-West, in respect of which the Minister of Justice is about to propose a bill to the House. These I think cover all the increases of any moment to which I need call your attention in those Estimates. On the other hand, the House will see on reference to the item of Public Works and buildings "chargeable to income," that we propose a reduction of $309,000, and on Public Works under the head of "Collection of Revenue," of $488,000, which two sums, taken in conjunction with the saving on Military Stores, (the last of our instalments to the British Government having been paid off last year), enables us to bring down our Estimates with a slight reduction. I may remark with respect to these Estimates, that there are several sums included which, from the nature of the case, will not need to be asked again; as, for instance the grant to the Menonites, the grant to the Philadelphia Exhibition, and probably a large part of the grant that we make to the veterans of 1812, they being almost all of them men of seventy-eight or eighty years of age, and, therefore, not likely to remain long a burden upon the finances of the country. As regards the Post Office, my hon. friend, when these items come before the House, will give more detailed explanations than I am at present in a position to afford. I may say, generally, however, that partly in consequence of his convention with the United States; partly on account of the increased facilities which he proposes to give in regard to postal matters, he will be obliged to decrease his revenue or increase his expenditure to the extent of about $150,000. With respect to the Post Office Department, I may further say that although the expenditure is always considerably in advance of the revenue, yet it is to be remembered that the revenue increases steadily from time to time, and I am in hopes that in the course of a year or two the receipts from that source will very nearly, or probably quite counterbalance the expenditures we are obliged to incur. As regards the estimate of our probable receipts for the year 1875-76, I may say that I make them as follows:—From Customs I think we

shall derive something like fifteen millions and a half, provided no check occurs to the general volume of trade. From the Excise I estimate we will derive a further sum of five and a half millions, amounting to about twenty-one millions. From Stamps I estimate the revenue will be about $250,000. From the Post Office I am afraid I must expect this year something like $1,050,000, instead of $1,100,000, the first operation of these changes being likely to cause some reduction in the receipts, although I think they will ultimately increase the revenue. From Public Works I hope to receive something like $1,700,000, and from the other sources—interest on investments and from casual receipts—a little over $1,200,000, making a sum total of twenty-five millions and a quarter, or thereabouts. Now, Sir, turning to the formidable items of capital account, which altogether will amount to no less a sum than $14,717,000, I may briefly say that a very large proportion of this expenditure also is, from the nature of the case, not likely to be repeated. For example, I hope next year that we will see the last of the Intercolonial and Prince Edward Island Railways, as far as capital expenditure is concerned. The same remark will apply, probably, to the extension of the railway into Halifax and to a very large part of the expenditure taken for the Pacific Railway, which the House will see is no less a sum than $6,250,000. It is not likely that either the charge for the construction of telegraph lines or for steel rails, or indeed, for more than a portion of the remaining charges, will require to be repeated next year. With respect to Canals, so much depends on the success of the contractors in prosecuting these works with expedition, that it is impossible for me to say how much my hon. friend (Minister of Public Works) will be able to spend under that head. The House is fully aware of the practice of that department of bringing down estimates for all that can by any possibility be spent within the current year. I have suggested to my hon. friend, and I repeat the suggestion to the House, that it may be worth consideration, in view of the fact that these Estimates within my memory have always been by the practice of the department largely in excess of the sum actually required, whether the House would not permit us to reduce these items with the understanding that when the work has actually commenced, and the total sum which is likely to be

expended has been fairly stated to the House, in case of need further sums should be taken by order in Council. In practice no doubt this is very often done. My objection to the present state of things is simply this : That to a certain extent it affects our credit abroad when it is found that we bring down these very large Estimates of amounts which, after all, are not likely to be expended during the current year. However there is no doubt that during the year 1876, a larger proportion of those Estimates will probably be expended than has been customary. I throw out the suggestion for the consideration of hon. gentlemen opposite, who are bound to check any unconstitutional proceedings of ours, and if they will concur, perhaps the House will allow us on future occasions to pare down these Estimates of capital account much more than we can do at present. I will now proceed, Mr. SPEAKER, to give the House explanations with respect to the loan of four millions sterling recently negotiated in London. But, perhaps, before I do this, it may be well to state to the House what has been done with the funds realized therefrom. That loan being placed at 90, realized the sum of about seventeen million and a half dollars, the gross amount being nineteen and a half million dollars, or four millions sterling, and the net proceeds being, as I have said, a little over seventeen and a half millions. Now, Sir, what we propose to do with these funds is briefly this : We propose to pay off ten millions of the public debt, including the grant to the *Seigneurs* for compensation; and the remaining seven and a half millions we intend to apply to any public works that we may undertake. Possibly, to prevent misconception, I should rather say that the loan has freed other funds in our hands applicable to such purposes, because as the loan was made for public works, it is well to observe that the money does go *bona fide* to public works, although practically the result is as I have stated. Now, as these seventeen millions and a half cost this country $778,000 a year, and as the ten millions of debt which we propose to pay cost us 6 per cent., or $600,000 a year, the result of the operation is that we get seven and a half millions on hand without increasing the charge on the revenue more than $178,000. In other words, to put the matter in a more concise shape, if the House would permit me to invest that money at the ordinary rate which we receive

for deposits, we would be the gainer by the transaction to the extent of $200,000 a year. With respect to the loan itself, as far as I understand, three objections have been taken to it. First, as to the expediency of borrowing at all upon our own credit ; secondly, as to the expediency of borrowing so large a sum ; and, thirdly as to the terms of the loan. With respect to the first point, I may say the Government had a good deal to consider before they determined on borrowing on their own credit. No doubt it would have been very easy to make the loan on the Imperial guarantee, but it must be observed that had we done so we would have lost a very favorable opportunity for negotiating a loan on our own credit which might not return again, and—what I consider of more importance—we would have lost the control of the market to a certain extent, that is to say we would have lost the power to go to the English market as borrowers at such times as are most convenient and suitable for ourselves. Moreover, I think it would have placed us at a certain disadvantage with the Imperial Government and British Columbia if we had asked for the Imperial guarantee while there was any dispute between ourselves and that Province as to the construction of the Pacific Railway. For all these reasons I advised my colleagues, and they accepted the suggestion, that we should avail ourselves of the opportunity for negotiating a loan on our own unaided credit. As to the amount of the loan, I may remark that it is not quite so large as it appears. A oan of four millions sterling at 90 only amounts to about three and a half millions sterling, or seventeen and a half million dollars; and although I would have been glad, other circumstances being equal, not to have placed so large a sum upon the market at once, yet bearing in mind that I had very good investments for the money if I got it, and also that it was absolutely imperative on me to borrow some part of it, inasmuch as six millions of debt were maturing, and had to be paid, and inasmuch as a large steady expenditure on capital account is steadily going on, I felt it was very desirable to borrow, if we had a good opportunity, enough to meet these demands, more especially as Canada had appeared in the English market in 1873, and if I appeared as a borrower in 1874, and then again in 1875, I had the best reasons for believing that such a course would have been seriously prejudicial to the

interests of this country. Coming to the loan itself, there are three standards of comparison by which the House can fairly judge of the merits of the transaction. They may if they choose take the price of English Three per Cents. They may also take the price obtained by Mr. TILLEY with the aid of the Imperial guarantee in 1873 ; and they may take the price obtained by other borrowers in the English market. Now, with respect to the first of these standards of comparison, I may say that at the time I was negotiating this loan the price of new consols, new English Three per Cents, was almost exactly the same as that at which our Four per Cents, were floated. The price of old consols it is true were higher, but these, as the House is aware, are maintained at their present rate by causes to which I need not refer. Consols, therefore, are hardly a fair standard, but as the comparison has been used, I thought I might as well refer to it. With respect to the second standard, if hon. gentlemen will compare the loan of 4 per cent at 90 with the loan negotiated by Mr. TILLEY under the Imperial guarantee at 104, on which I beg to state that the allowances taken altogether were fully equal to those made by me, they will find that the immediate difference of interest in the two loans is just twelve shillings per cent. per annum, and, consequently, (making allowance for premium and discount, which amounts to four shillings per cent. per annum) the difference between a loan on our own unaided credit and one on our credit joined with the Imperial credit amounts to some sixteen shillings per cent. per annum, or in other words, we placed our loan within four-fifths of one per cent. of a loan made with the Imperial guarantee. In order that the House may fully understand the exact position, I will refer to a statement I have here of the six last loans negotiated by six nations of the very highest standing on the English Stock Exchange. The first was negotiated by Belgium in 1874, a very few months before I appeared in England. This was a three per cent. loan, issued at 75½, but which at the time of my arrival in England had fallen to 73. The second was a Brazilian five per cent loan, issued in 1871 at 89. The third was a Danish five per cent. loan, issued at 94½. The fourth was a Dutch four per cent. loan, issued originally at 82. The fifth was a series of Russian Five per Cents., which were issued during the six or seven years

previous to 1873, ranging at various prices, one large loan in 1866 being at 86, another in 1873 at 93. The sixth was a Swedish five per cent. loan, issued in 1868 at 90. I may remark that in all these cases, save Belgium, I believe these loans not only included a heavy sinking fund, but also allowances quite equal to that made by me. Now—I speak under correction, because I am aware that although I have been at some pains to investigate the authorities on the subject, I may be deceiving myself in the statement I am about to make—I think that on full investigation this general result will be apparent, namely, that the loan which was placed in the English market last June was obtained on better terms than any other of equal amount for the past twenty years. I believe that there was one foreign loan—the Belgian three per cent. to which I have alluded, but which was only to the amount of one million sterling, while ours netted three and a half millions—which was obtained at a shade better terms. When in addition I state, as I have stated, that our loan was placed on the market at less than one per cent. of the rate which was charged with the Imperial guarantee added, I think I may fairly say that the Dominion of Canada has no reason to be ashamed of the position in which it stands in the English market. There is another point on which issue has been taken by gentlemen opposite. We have been condemned, I think unadvisedly, for electing to isssue this loan at a discount. Now, if there is one principle of finance which is better established than another, it is this—that it is almost impossible to obtain as good a price in proportion for a loan issued at a premium as can be obtained for loans issued at a discount. I need not enlarge upon the reasons that cause investors to prefer such loans. Suffice to say that the fact is notorious, and if further proof of it is wanted, it will be found in the fact that all these States to which I have alluded have preferred to issue their loans at a discount, as I did. I have not referred to the issues of France and the United States, because, great as the resources of these countries are, and high as their credit usually stands, they are debarred for many causes from any fair competition at present. I may remark, however, that the State of Massachusetts, which, as the hon. gentleman knows, has always commanded a high position in the English market, issued its Five per Cents. at the rate of 87 in 1870, and 91 in

1871. They appear to have been redeemable in 1891. Taking the whole list of investments as set out in the usual authorities, I think—although I am open to correction on that point—that the statement I made is literally correct, namely, that no unguaranteed loan of equal magnitude has been floated on the English market on such favorable terms within the past twenty years. Moreover, in considering the situation, it must be borne in mind that no *bona fide* Canadian loan on our own credit had been issued since the loan raised by Sir Alexander Galt, in 1860, except one small loan of £500,000, negotiated by Sir John Rose under peculiar circumstances. It must also be borne in mind that the great number of foreign loans now pressing on the English market has caused an increase in the rate of interest even as regards securities of the first class, as any gentleman will find by referring to the share list, and more particularly to the price of consols during the last twenty or twenty-five years. According to computations made by persons entitled to respect in these matters, notably, I believe, by Mr. Dudley Baxter, it appears that no less a sum than two thousand millions sterling have been added to the national indebtedness of various nations appearing in the English Stock Exchange within the last twenty years. Moreover, it may be as well to call the attention of the House to the fact, as bearing on the advisability of choosing our own time for placing our loans on the market, that the English Stock Exchange is an extremely fluctuating and sensitive body. How fluctuating it is may best be known by the simple statement that within a short period, the price of consols, although artificially kept up, has varied from six to ten and twelve per cent. within a single year. It will be apparent, therefore, to the House, that in addition to doing all in our power to maintain our credit, we must also be in a position to choose our own time for putting our loans on the market, and unless we do so, no matter how good the financial condition of the country may be, we may be required to pay more than the rates we have been previously paying. I may also remark, though this for the present is merely a suggestion, that I believe it would greatly conduce to the advantage of Canada if we could consolidate the various securities which are now bearing several rates of interest, into one consolidated Canadian stock. Some steps have

been taken which, I hope, will ultimately result in achieving that desirable end.

Hon. Mr. TUPPER—What rate has the hon. gentleman fixed for the Sinking Fund ?

Hon. Mr. CARTWRIGHT—One-half per cent. The Sinking Fund, I may remark, in Mr. TILLEY'S loan is one per cent. and, therefore, the former transaction is a little more favorable to us than would appear at first sight. My hon. friend knows that a Sinking Fund at one per cent. means a much earlier payment of principal than a Sinking Fund at one-half per cent. And now, Mr. SPEAKER, I desire to review the present financial position of this country with reference to the engagements to which this Government and the country at large is committed. That position is one of a very peculiar character, as hon. gentlemen will readily perceive. I shall begin from the 1st July, 1874, and lay before the House a short synopsis of our engagements down to the end of the year 1884, that being the period at which most of our loans now current will mature. Our position is peculiar, because, in addition to being committed to very large engagements, amounting in the aggregate to fully sixty millions, which properly are chargeable to capital account, and are mostly of the nature of debt incurred by treaty, it will be necessary also to provide for some sixty or sixty-five millions of dollars of old debts maturing during the next ten years, and we will, therefore, require to make provision for a sum of $125,000,000 during that period. I desire to lay before the House a sort of summary of the mode in which I think that those heavy engagements may be met, starting from the 1st of July, 1874. On that date, taking into consideration the loan and other assets—though the loan was not all paid up at that date —we had in cash some $25,000,000 Of course, by this time most of that money has been expended in the way indicated, but we still have enough, I hope, to carry us through the financial year ending the 30th day of June, 1876. In addition to the $25,000,000, we have the English guarantee fund, amounting to about $20,000,000. We may also count the Sinking Fund applicable to that purpose, which cannot be less than $5,000,000, and I think that during those ten years we shall probably borrow from our own people, through the medium of savings banks, or receive

from miscellaneous sources, about one million of dollars, annually, amounting in all to about ten millions more. If the House coincides with me in the opinion that it will be wise and prudent, with these heavy engagements, to maintain a steady, moderate surplus, we will probably have another million per annum from that source, amounting to ten millions more. Of the total $125,000,000 I already see my way tolerably clear to provide $70,000,000 in the way indicated, which would leave some $55,000,000 to be borrowed on our own individual credit. The House will understand that twenty-five or thirty millions of this amount may be paid at our option, but there are many reasons why we should pay off that particular debt when it matures, if possible. This sum is the loan negotiated by Sir A. T. Galt. The House will therefore see that it will be necessary, or at any rate, expedient, to borrow $75,000,000, (including the English guarantee), within the next nine or ten years; in other words, it may be necessary for us to appear in the English market as borrowers three or four times during that period. If we succeed in borrowing that sum at the rates which have been recently established, the results will be as follows:—$125,000,000 borrowed at an average of four and one-half per cent., would cost $5,625,000, from which we deduct five or six per cent, interest on $65,000,000, (that being the amount of the old debt maturing), which would represent $3,600,000, leaving an additional burden of $2,025,000 per annum. We may further deduct from this the sum of $750,000, representing interest on the Sinking Fund and on the surplus, which I propose to secure as part of our assets. This would give the total of the additional interest for which we will have to provide, if the House does not rush into fresh entanglements and engagements at $1,250,000. Now, I have no doubt whatever that the resources of this country will be ample to meet that additional demand on us, though for reasons frequently stated by me from my place in this House, I am not willing to add to the permanent expenditure of the country in the shape of interest any more than I can help. But in order that we may obtain these several loans at a cheap rate several things are requisite. We must enjoy some moderate progress, which I have no doubt will take place, and we must inspire our creditors with confidence that we will not again rashly commit ourselves to any impru-

dent engagements. I am not going to reflect on the action of my predecessors, but I will simply state as a matter of fact that I found that the manner in which they had entered into the Pacific Railway obligation was a serious obligation in the way of placing a loan on the English market. We must also arrange our engagements in such a manner as to be able to obtain the full and complete control of the English market so far as to secure our own time for borrowing. That is the reason why I am so anxious to retain the Imperial guarantee by which in case of need we can obtain a loan under almost any conceivable circumstances. Now, if I do not lay very much stress on the probability of a great increase in the revenue from the natural growth of the country, it is because, as every hon. gentleman knows, this country as it grows and increases in prosperity will require considerable additional expenditures, and though I hope we will always maintain a moderate surplus, a considerable portion of the natural increase of revenue must go to meet contingencies which, in a country like ours, are inevitable. There can be very little doubt that to maintain the portions of the Pacific Railroad which will be constructed will entail a considerable expenditure, and there will also be a considerable outlay in settling with the Indians of the North West, and maintaining government in that region. No doubt a certain portion of this expenditure may be fairly looked upon as productive, in the sense of bringing back into our coffers some return for the moneys expended, and I may add that of all the schemes submitted to this House, I believe that proposed by my hon. friend the Premier, for opening up that fine and considerable tract between French River and the Ottawa Valley, is the one which on the whole is most likely to add to the paying productive population of the Province of Ontario. I hope also that our merchants will be successful in finding new fields of trade which will partially compensate them for that which we have for the present failed to obtain from our friends on the other side of the line. My advice then, in view of those numerous contingencies which always occur in a country situated like ours, is, that we ought to consider the natural growth of our revenue as a fair offset against the inevitable additional expenditures which must occur in the Dominion. It is not necessary for me to spend any further time in reviewing the volume of our exports and imports. I do not

consider that it is any proof that a country like ours is retrograding in any way, because there is check to the imports. Many authorities who are entitled to great respect, incline to think that we have rather overstepped the mark in our progress in this direction, and I look upon the check to our imports more as an indication of greater prudence in the management of our commercial affairs than anything else. Moreover, a certain portion of this falling off is due rather to the decline in value of certain articles of consumption, than to any decrease in the quantity consumed. On the whole, no branch of our trade and commerce with the important exception of the trade in lumber, seems to have suffered, and the excellent harvest with which we have been favored during the past year will have a very favorable effect, encouraging and inspiriting every portion of the community, mercantile as well as agricultural. In connection with this subject, I may observe that there is a large portion of our imports heretofore which was probably caused by the extensive railway improvements in the Province of Ontario, and if we accept the statement made by the Treasurer of Ontario, in his place in the Legislative Assembly of that Province, the increase in the expenditure of the Dominion can hardly be expected to do more than compensate for the large railway expenditure which has occurred in Ontario during the last four or five years. According to the statement of that hon. gentleman upwards of $30,000,000 had been or were about to be forthwith expended on the construction of railways in that Province alone, giving an average of six millions per annum, which I hope has been, on the whole, of such a nature as to largely aid the future production of that region ; but it is evident that for the time being the annual expenditure on the Pacific Railway and other works which will be about six millions on the average, as stated above, will not do much more than make up for the cessation of this expenditure in the Province of Ontario and elsewhere. I do not myself doubt in the least that great ultimate benefit will flow to that Province from the expenditure to which I have alluded, but I am aware, as other hon. gentlemen are aware, that the immediate results are not likely to be quite as great as might be supposed. The benefit, when it comes, will be solid, and it is to be hoped it will be both very considerable and permanent. To those

hon. gentlemen who consider that the very rapid increase of our mportations from 1868-9 to 1872 is a fair proof that a similar ratio of ncrease is likely to continue after the present temporary pause has passed, I would beg to observe that on looking over the importations the United States during the past sixty or seventy years they will find, as a rule, that any period of rapid expansion was almost invariably succeeded by a long period of comparative inaction. Now, as this is a point of some little moment, I may be permitted to call the attention of the House to the fact that whereas in the years between 1832 and 1836 the imports of the United States increased, almost as ours have done, from one hundred millions in 1832 to one hundred and eighty-nine millions in 1836 ; that after attaining that figure in 1836, no less than fifteen years elapsed before they again reached a like sum, and that it was not until 1851 that imports to the United States regained the proportions they had arrived at in 1836, and that, too, in a period, on the whole, of great prosperity in that country, and though the population in the same interval had increased from fifteen millions to nearly twenty-four millions in 1851.* Doubtless there were special causes contributing to this state of things, and I do not anticipate precisely the same results here, but it is my duty, if the House, or any members of it, choose to assume that the fact of a rapid increase in the past is necessarily a proof that an equally rapid increase is to be looked for in the future—to call attention to the fact that that great country, though it increased in essential prosperity in all respects in that interval, remained on one occasion without any great increase taking place in its imports for a period of no less than fifteen years, and that a similar phenomenon repeatedly occurred at other times, though not on so large a scale. The House will therefore see that the problem before us is of a complex character. Not only have we to provide for certain fixed heavy annual engagements, but we have also to meet promissory notes, if I may so term them, maturing at different dates over a long term of years. Therefore, it is necessary to keep stronger than if we were simply dealing with the ordinary annual expenditure, and if any other expenditures we were about to incur were strictly within our own control. I may here allude to the statement made by the hon. member

*Note.—See Table of Imports into the United States for this term given in Appendix

for Kingston in the debate on the Address. He said that I remarked last year that I would be prepared to reduce taxation during the course of the year. I beg to state that was not what I said, as you will see on referring to my speech. I stated that I did not think if those supplies were granted it was at all likely that it would be necessary to come before the House again for fresh taxation. Now, Sir, I am not aware that there are any other points of interest upon which hon. members will require explanation. If there are, I shall be glad to give them either now or at a later stage in the evening. I think we may fairly congratulate ourselves that our financial position has materially improved since last year. All immediate demands (which were considerable), have been fully met ; there are no pressing claims upon us, with the exception of those for public works, for at least a year or two ; we have a reasonable surplus on the transactions of last year ; and I have every reason to believe that we shall also have a reasonable surplus on those of the current year. It may also be added that we have so far made no inroads upon that valuable reserve, the Imperial Guarantee. We have completed the Intercolonial Railway, and the Prince Edward Island Railway, and are therefore free to turn our undivided energies and attention to the task of enlarging and improving our canals and constructing the Canadian Pacific Railway. We have succeeded in making such arrangements with British Columbia as, although involving us in very considerable liabilities, are yet quite within our power to perform; and I may add that, although many of us thought from the beginning that the demands made upon us by that Province were unreasonable and unduly onerous, we are nevertheless prepared to discharge our obligations fairly, provided they can be brought within due bounds, and in accordance with the spirit, if not indeed the true letter of that contract. I have no doubt, therefore, that if we persevere in the course I have indicated, in a very short time we shall be in a position of the highest credit. Still, for the next ten years we must be prudent, and we ought not to rush into other engagements until we have fairly disposed of those for which we are already responsible, though with this proviso, I am well convinced that unless some entirely unexpected misfortune overtakes the commerce of the country, (for which we cannot reasonably look), we

shall be able, financially, to give an honorable account of ourselves in the future. One thing we may fairly say to our people, that the sacrifices which we are called upon to make, are not being undertaken for any selfish local object, but in the largest sense in the future interest of the whole of the Provinces of the Dominion. We have chosen to take upon ourselves a truly Imperial task—a greater task than was ever undertaken by any nation of our age and resources—that of colonizing and developing a most enormous extent of country, not so much for our own benefit as that of generations yet to come. That such an enterprise is one which will require our utmost energies I do not for one moment deny, but although I admit this, and admit also that while engaged in its prosecution we must be willing to forego other works of much greater immediate advantage, yet I hold that it is far better we should do so than even seem to fail in meeting the obligations to which I have referred. I believe that every man who has paid any serious attention to the future of Canada knows right well that with us this matter is a struggle for the possibility of carving out a distinct national existence. This, at any rate, is an object for which we may well call upon our people for any reasonable sacrifice, and it will be at once the desire and the interest of the Government to take care that such sacrifices as may be inevitable shall yet be restrained within due bounds. Perhaps, after all, it is as well that we, like other people, should be compelled to test our strength and nerve. Better, indeed, in this respect, since we may thus undergo in peaceful fashion the ordeal to which all countries which have ever achieved any real greatness have had, sooner or later, to submit, though to them for the most part it has come in the shape of wasting and desolating war. Great benefits, I cannot doubt, will arise, if not to the present generation, at least to the inhabitants who in the future will inhabit these vast regions from the prosecution of this great work, and I am well persuaded that the people of Canada will not shrink from carrying to a satisfactory conclusion the task to which they have set themselves if once they are convinced that it can be achieved on anything like just and reasonable terms. In placing in your hand, Sir, the resolution that this House go into Committee to consider of the supply to be granted to Her Majesty, I desire to express my sense of the patience with which I have been listened to by hon. members on both sides of the House.

MEMORANDUM A.

As some discussion has arisen in respect to the question, how much o the increase of $1,375,000 in the Customs receipts of 1874 as compared with those of 1873 are due to the operation (direct or indirect) of the new tariff, it may be as well to summarize a few leading points in reference to this subject, which may be divided into two classes.

1st. Facts with regard to which there can be no dispute.

2nd. Statements based on probabilities arising from these facts, and therefore a matter of opinion, more or less, but strongly corroborated by various incidental circumstances.

As regards the first class, it is absolutely established—1st. That the total volume of dutiable imports for the first eight months of the fiscal year 1874, ending 1st March, only exceeded that for the corresponding period of 1873 by the sum of $1,170,000, almost the whole of which was due to the admission of Prince Edward Island into the Dominion.

2nd. That the Customs revenue up to the 1st April of the same year was only $250,000 more to that date of the fiscal year 1874 than in 1873, although the effect of the expected new tariff (announced in the Speech from the Throme, 26th March, 1874), was then beginning to be felt.

3rd. That the Customs returns for 1874 likewise establish the fact that the sum of $300,000 was obtained by the alteration of the tariff from 15 to 17½ per cent., a sum of $130,000 by the new duties imposed on tea, coffee, ships' materials, iron, and miscellaneous articles, and about $100,000 more from the additional duties on wines, gin, brandy, rum, whiskey, &c., amounting in all to $530,000, obviously and directly derived from the new tariff.

3rd. *a*. That an enormous increase occurred in the importation of certain articles in the last three or four months of the fiscal year 1874, as compared with the same period in 1873, amounting to an increase of duties paid of nearly $400,000 on the articles of wine, gin, rum, brandy, whiskey and cigars alone.

4th. It is also established by the evidence of the Customs returns that there was a marked falling off in the importation of many of the above articles during the six months from July, 1874, to 1st January, 1875, as compared with the corresponding period of the year 1873, thus proving that a considerable portion of the natural revenue of 1875 had actually been anticipated. This occurs, as above stated, in such articles as brandies, wines, cigars, &c., and importation of cottons, fancy goods, &c.

5th. That this occurred in spite of the harvest of 1874 having been enormously superior to that of 1873, and of the well-known circumstance that the usual and inevitable consequence of a very good harvest (other things being equal), is invariably to increase the consumption of articles of luxury of those particular kinds (*inter alia*).

6th. That the total volume of imports of all sorts was $100,000 less for the fiscal year 1874 than for 1873, the gross exports being likewise about $450,000 less than in 1873 (in spite of Prince Edward Island being included):

As to the second class of statements, though it is true that it is not possible to define with mathematical exactness all the effects which arise from the imposition of a new Tariff, which are often of a very unexpected and complicated nature, quite enough has been ascertained to leave no reasonable doubt that a very large amount of revenue properly due to the fiscal year of 1874-75 was anticipated. There is positive evidence to show that the import of dutiable goods up to 1st March, 1874, had *not* increased, (save only by the admission of Prince Edward Island). The presumption therefore is, that they would not have increased from March to July in the ordinary state of things. Moreover, there is no doubt that early in the spring of 1874 it was well-known (prior to the imposition of the tariff), that the timber trade was in a very depressed state, and likely to continue in that condition; that it was also known that the United States, one of the best customers of Canada, were passing through a period of great commercial depression; that up to a very late period of the fiscal year 1874 there was no ground for anticipating anything beyond an average harvest; and that (as was stated by Mr. Tilley himself in his

Budget speech of 1873), there was believed to have been an over-importation of dutiable goods in 1873. From all these circumstances, coupled with the before-mentioned fact that there was a positive decrease in the gross volume of exports and imports for 1874, a strong probability exists that had it not been for the indirect operation of the new tariff, the total amount of dutiable goods would not only not have exceeded, but most probably would not have equalled the importations of 1873.

This supposition is very strongly confirmed by the opinion expressed, both at the time of the imposition of the tariff and subsequently, by several parties of the highest standing in the commercial and financial world, who stated that in their judgment nothing but the knowledge that the tariff would almost inevitably be increased, would have justified or led to as great an importation in 1874 as in 1873. It is obvious, therefore, that in addition to the $530,000 manifestly due to the direct action of the new tariff, respecting which no dispute can arise, a further sum of $600,000, if not more, was due to its indirect effects, and was in effect borrowed from the fiscal year of 1875.

This was composed—1st, of goods paying 15 per cent. or upwards, of which it is calculated that certainly two, and probably three millions were anticipated, giving revenue arising from this source at from $300,000 to $450,000 ; 2nd, that from the excessive importation of wines, brandies, and similar articles, as compared with the fiscal year 1873, a further revenue (in anticipation,) of not less than $375,000, was derived, making a total varying from $675,000 to $825,000 as the estimated sum received in anticipation. The result, it may be observed in passing, corresponds very closely with the known facts as revealed in the enormous excess of Customs duties paid in between the twenty days from 1st April, 1874, compared with those paid during a like period in 1873 :

Customs, 1st to 10th April, 1874.....	$569,149
" 1st to 10th April, 1873.....	383,252
" 11th to 20th April, 1874.....	730,693
" 11th to 20th April, 1873.....	264,270

Total amount $1,300,000 in round numbers in 1874, as against $645,000 in 1873, being a difference in those twenty days alone of $655,000 presumably anticipated, a sum which, if added to the sum paid *after* the 20th April, 1874, respecting which there can be no doubt, will give a total of $1,200,000 as the excess on Customs alone due to new tariff, without taking into account certain sums known to have been paid in advance in the latter part of March.

As a mere matter of conjecture it appears probable that in view of the general state of trade there would have been a *positive* as well as a *relative* decrease in the importation of dutiable goods in the fiscal year year ending 30th June, 1874, unless the mercantile community had known both from Mr. TILLEY'S Budget Speech as well as many other sources (wholly apart from any statement made by the existing Government) that the tariff would almost certainly be increased.

How enormously the revenue for 1874 was affected by the tariff may be well illustrated from the case of cigars. Of this article, 159,000 lbs. had been imported in the eight months ending 1st March, 1874, and there was no ground for expecting any larger proportionate amount to be entered for consumption during the four months closing 30th June, 1874.

The result of the approaching tariff was to cause 278,000 lbs. to be entered prior to July, 1874, almost all in April. This, allowing 78,000 lbs to represent the proportionate importation for those four months, would show at forty-five cents per lb. an amount of duty of not less than $90,000 presumably anticipated (*i. e.* borrowed from 1874-5 for benefit of 1873-4) on this single article alone. Similarly in the case of brandy. Here the importation for the first eight months of 1874 only reached 378,000 gallons as against 352,000 same period of 1873, while in the *last four* months of 1874 the importation was 203,000 gallons as against 338,000 gallons for the *last four* months of 1873. This would give an anticipation of duty in the single article of brandy of $87,000, being 109,000 gallons at the old rate of 80 cents per gallon, not reckoning

increased duty on the comparatively small amount imported after the 14th April, 1874. Without going into further debate it appears needless to say that these figures can only be accounted for on the assumption that as stated above a very large sum of money was anticipated, and in effect borrowed from 1874-5 for the benefit of 1873-4.

MEMORANDUM B.

IMPORTS OF THE UNITED STATES FROM 1817 TO 1851, INCLUSIVE.

	$	*Remarks.*
1817..	99,250,000	
1818..	121,750,000	
1819..	87,125,000	
1820..	74,450,000	
1821..	62,585,724	
1822..	83,241,541	
1823..	77,579,267	
1824..	80,549,007	
1825..	96,340,075	
1826..	84,974,477	
1827..	79,484,068	
1828..	88,509,824	
1829..	74,492,527	
1830..	70,876,920	
1831..	103,191,124	
1832..	101,029,266	
1833..	108,118,311	
1834..	126,521,332	
1835..	149,895,742	
1836..	189,980,035	
1837..	140,989,217	
1838..	113,717,404	
1839..	162,092,132	
1840..	107,141,519	
1841..	127,946,177	
1842..	100,162,087	
1843..	64,753,799	* Only nine months of 1843, the termination of fiscal year being changed at that time from September 30th to June 30th.
1844..	108,435,035	
1845..	117,254,564	
1846..	121,691,797	
1847..	146,545,638	
1848..	154,998,928	
1849..	147,857,439	
1850..	178,138,318	
1851..	216,224,932	

It will be observed that in the United States a very formidable retrogression took place after 1836. Canada has not gone through such period of extraordinary inflation, and it is not probable that it has more than a temporary pause to apprehend.